

Message Text

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12

ACTION EA-10

INFO OCT-01 ISO-00 EB-07 COME-00 TRSE-00 CIAE-00 INR-07

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TO SECSTATE WASHDC 3951

INFO AMCONSUL HONG KONG

LIMITED OFFICIAL USE PEKING 1181

E.O. 11652: N/A

TAGS: ETRD BEXP US CH

SUBJECT: STATUS OF GE NEGOTIATIONS ON POSSIBLE SALE OF A GAS
TURBINE MANUFACTURING FACILITY TO CHINA

REF: PEKING 902 AND PREVIOUS

1. USLO, JUNE 24, RECEIVED A LETTER FROM GENERAL ELECTRIC'S REPRESENTATIVE IN HONG KONG EDWARD NAYLOR, OUTLINING HIS FIRM'S LATEST EFFORT TO BREAK THE CURRENT DEADLOCK IN ITS NEGOTIATIONS WITH THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION (TECHIMPORT). AS PREVIOUSLY REPORTED (REFTEL), GE'S EFFORTS TO SELL A GAS TURBINE MANUFACTURING FACILITY HAVE REACHED A STANDSTILL OVER THE ISSUE OF HOW THE TECHNOLOGY INVOLVED WILL BE TRANSFERRED TO THE PRC.

2. TECHIMPORT HAS INSISTED THAT GE AGREE IN PRINCIPLE TO A SINGLE TRANSFER OF TECHNOLOGY FOR THE COMPLETE TURBINE BEFORE DISCUSSING THE METHOD OF TRANSFER OR OTHER DETAILS OF THE EQUIPMENT OF SALE. GE DISAGREES WITH THIS APPROACH, BUT HAS NOW GONE PART WAY BY OFFERING A SINGLE TRANSFER OF TECHNOLOGY (INCLUDING ROTORS, BUCKETS AND NOZZLES) FOR ONE DESIGN UNIT. NAYLOR BELIEVES THE CHINESE WILL PROBABLY WANT TO MANUFACTURE OTHER UNITS BUT HOPES THIS WILL AT LEAST PROVIDE THE BASIS FOR RESUMING NEGOTIATIONS. IT WILL ALSO LIMIT GE'S MANPOWER REQUIRE-
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MENTS (PRESUMABLY FOR PREPARING PROPOSALS) UNTIL MORE

IS KNOWN ABOUT CHINESE INTENTIONS.

3. WHILE GE HAS ALTERED ITS NEGOTIATING POSITION SOME-
WHAT, IT IS STILL INSISTING ON A "SUITABLE PERIOD OF
EQUIPMENT FAMILIARIZATION" AND AN "ACCEPTABLE PERIOD OF
CO-PRODUCTION," REQUIREMENTS WHICH WILL PROBABLY NOT
BE ACCEPTABLE TO THE CHINESE. GE APPARENTLY STILL HOPES
TO AT LEAST EXTEND THE PERIOD OF TECHNOLOGY TRANSFER
AND TO SEEL COMPLETE TURBINES AND COMPONENTS TO CHINA
UNTIL THE PLANT GOES INTO FULL PRODUCTION. TECHIMPORT
HAS SHOWN NO INTEREST IN EITHER OF THESE IDEAS AND GE
WILL PROBABLY HAVE TO ABANDON OR DRASTICALLY MODIFY BOTH
OF THEM BEFORE NEGOTIATIONS CAN BE RESUMED.
BUSH

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